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Munsey, Frank Andrew

1922; what will it mean to
us?

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What Will It Mean to Us?

BY

FRANK A. MUNSEY

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1922

What Will It Mean to Us?

THERE is nothing very exciting in sight for 1922; there is nothing gloomy in sight for 1922. 1921 has given a good account of itself in carrying on the great work of deflation initiated in 1920. 1919 hit the sky in reckless expansion, reckless speculation and reckless spending.

When 1920 set its feet squarely against all this the shock to business and to the country was like that to the passengers on a fast speeding train when the air brakes are suddenly and savagely jammed on.

In its strong, decisive action 1920 paralyzed industry, obliterated speculation and spread gloom everywhere. Ingenious finance crashed to earth in a day, a tangled, unrecognizable mass of avarice. The mutterings of despair, the cries of broken hopes and broken fortunes rang throughout the land.

But 1920 never wavered. Its business was to save America from industrial, commercial and banking collapse. It went straight on with its work of deflation to the end of its days.

Then its successor, 1921, shouldered the burden and, considered by and large, has made a good job

of it. If it had succeeded in deflating the wage scale there would have followed automatically deflation in transportation costs and in all costs of living. House rents and coal and light and food-stuffs and wearing materials would have got back to pre-war prices.

Its failure in respect of the wage scale alone robs 1921 of the glory of genius. If only it could have succeeded in bringing labor costs back to normal, industry everywhere would have sprung into activity and general prosperity would have gladdened the entire country.

But while failing to achieve all we could have wished for it 1921 is entitled to great praise and great honor for disasters averted and for generally cleaning up the debris of the wreckage of 1920. It reestablished our big banking centers on a sound basis, and this, in the overstrained condition resulting from the 1919 orgy, was a big piece of work.

1921 wrote down and wrote off frozen credits in the big fields, disposed of vast stocks of merchandise that its predecessor failed to move, gave us easy money at reasonable interest rates and so stabilized our point of view that in large measure we have readjusted ourselves to life in the valley with its calmer sense, its saner economy and sounder realization of the philosophy and economics of life.

1922 takes up its work under conditions enormously more favorable than those its predecessor had to face. The dangers that bulked big a year ago in the eyes of those who knew, no longer exist. The life blood of

commerce and industry and business is money. A year ago our big banks, the mainstay of our economic life, were staggering under colossal burdens. Whether they would carry through or not, whether they could carry through or not, was the problem that disturbed the Government and the men on the inside of the overstrained situation.

Industry was stalled, incomes were dwarfed and shriveled, but the Government had to have money and the bankers had to furnish it. Manufacturers, merchants and shippers had to have money and the bankers had to furnish it. Interest on railroad bonds and all other bonds and on mortgages had to be paid and the bankers had to furnish the money to meet these payments. The building trades had to have money, the cotton growers had to have money and the vast farming industry had to have money and the bankers had to furnish it.

Payrolls in the industries had to be met and all other payrolls had to be met, overhead expenses had to be met, vast taxes had to be met and the bankers had to furnish the money. Overextended enterprises had to be carried by the banks. Frozen credits and slow credits, the inevitable fruitage of the wild plunging and spending of 1919, had to be continued and the bankers had to carry the burden.

In this situation and with a wide aggregation of weak and dangerous spots in our financial, industrial and business structure that came to loom large, the outlook in the trying months of retrenchment did not

make for optimism except that grim optimism which stands calmly buoyant and immovable in actual danger. It is a heroic and magnificent piece of work the American bankers, with the help of the National Reserve Bank system, have done in a crisis that threatened an incomparable catastrophe.

But all this is behind us and 1922 finds conditions in the large sense calm and the American people hopeful and mildly optimistic. There is every reason for being calm. There is no reason for concern and there is reason for an optimism that keeps its feet on the ground.

But we are not going to have in the immediate future a magic awakening of business. We are not going to have a general boom in activities. We are not going to have a sudden return to sensational speculation. The underlying conditions though in the main sound do not warrant it, do not indicate it.

That we shall have a better business in 1922 than we had in 1921 may safely be expected. The country is financially sound today. The country has plenty of money today for its activities and to spare. Interest rates are moderate and constantly trending lower. Liquidation, except in wages, has done its work.

There is no overproduction. The shelves of merchants are understocked rather than overstocked. Warehouses are not filled with goods. Two years of economy with the American people, two years of watchful, careful buying have worn wardrobes thread-

bare and made inroads in household equipments. In this situation and in the very nature of the case there will be a better and wider demand for products of the American loom and the American workshop than merchants have been called upon to meet since the ax struck at the root of inflation two years ago.

This greater demand for goods will give work to many men and to many women who are now idle, and as they again become wage earners they will add to the purchasing power of the country and so in turn will make additional work for themselves.

Considered in this respect the better business in sight is largely in response to the desire and necessity of replenishing wardrobes, replenishing household equipments, the construction of new habitations and the rehabilitation of old habitations.

Approaching the markets in this way with depleted pocketbooks, and still under the spell of economy, the American people are not going to get gay in a minute and buy everything in sight. On the contrary, they will buy cautiously, wisely and as they should buy.

This kind of demand on the part of American purchasers alone, though large in the aggregate, never gave us a business boom and never will. Business booms come from foreign buying and general American opulence supplemented by an era of speculation and lavish spending.

We are not going to have the foreign demand for our products which in addition to our domestic demand would keep our industries working at high

pressure. We are not going to have the foreign demand for the reason that with our present cost of production, with our high wages, our goods cannot compete in foreign markets with the products of our foreign competitors.

So long as the American wage stands greatly in excess of the foreign wage just so long foreign markets will belong to foreign producers. Our cost of production, except in certain raw materials and in certain foodstuffs, is now so high with present transportation costs due in turn to the high wage scale that American goods are generally shut out from foreign markets.

This means with present cost of production that America will remain a walled in nation, so far as concerns foreign trade, just so long as our cost of production is in excess of the cost of production in the big producing countries that reach out for world trade.

A sound, sane reduction in the wage scale with a return to genuine efficiency, the spirit of giving full measure work for the wage received would speedily force open the doors of foreign markets to America. They never will be opened to America until American prices are right.

An active bond market is usually the forerunner of an active stock market and an active stock market is generally followed by active business.

From the fact that the last half of 1921 gave us a buoyant, booming bond market we must not assume that we are on the verge of wide speculation. I should think it a fairly safe prognostication, however, con-

sidering all that enters into and has a bearing on the situation, that Wall Street is reasonably sure to take on a considerable awakening before we get far into 1922.

This does not mean wild price inflation or wild speculation. And it does not mean an inundation of new flotations. It is my guess that worth-while securities are likely to share in the upward trend of bonds. This should be particularly true of issues now selling below their value, and their value determined by the most thorough investigation of the properties represented by stock issues.

That the general public is wholly incapable of determining values is certain. No one not himself a judge of values should put money into stock issues except those that are known to be sound through and through. The general public would show great wisdom in confining its investments to Government or other sound bonds.

I am digressing from the subject under consideration solely with the purpose of cautioning wage earners and others who have no right to jeopardize their money by putting it into speculative securities except on the advice of men of seasoned judgment on security values.

Though the conditions generally favor better business and better security values in 1922 than 1921 gave us, there are still too many cross currents tending to neutralize advancement to justify a very robust optimism.

The transportation situation stands out boldly as an instance of a vast unsolved problem, perhaps unsolvable, whose roots run deep into our entire financial and economic structure. If this were cleared up and so cleared up as to give confidence to investors, so cleared up as to give us right transportation rates, so cleared up as to give us the safest and best railroads in the world, so cleared up as to get the people of the whole country back of their railroads, in jealous support of their railroads, the banking situation would be clarified and the price of all sound securities stabilized.

Until the railroad situation is made right and until the wage scale is brought down to a right basis I see no great run of brilliant prosperity ahead. We are sure of one or two fundamental facts, however. One of these is that we are not now hovering over a powder mine. Another is that there is nothing in our situation that cannot be cured by honest work and plenty of it.

A nation grows into strength or falls into weakness in accordance with the measure of its people's productive work.

FRANK A. MUNSEY.

**END OF
TITLE**